



Arkansas

State Revenue Tax Quarterly

Mike Huckabee, Governor

Department of Finance & Administration, Revenue Division

Richard A. Weiss, Director
Tim Leathers, Commissioner

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reflects many of his accomplishments.
Happy Retirement, Preston!

"Congratulations," Mike Munns

Mike Munns has succeeded Preston Means as Assistant Revenue Commissioner for Operations and Administration. Mike has worked for DFA for the past 23 years and has previously served as Motor Vehicle Administrator, Driver License Administrator, and Revenue Tax Attorney. His past experiences from his previous DFA assignments will enable him to continue being focused on providing taxpayer service and inspiring DFA employees to excel. Congratulations, Mike, on your promotion!

"Congratulations," Roger Duren

Roger Duren has succeeded Mike Munns as Motor Vehicle Administrator. Roger has worked for DFA for 26 years; as Motor Vehicle Manager for the past 15 years and previously in the Special License Unit and the Motor Vehicle Tag Room. He is an excellent leader and is very knowledgeable on technical Motor Vehicle issues. Roger will continue providing the best service possible to our taxpayers. Congratulations, Roger, on your promotion!



"Goodbye," Preston Means

On March 31, 2006, after 35 years of dedication and hard work, Preston Means, Assistant Revenue Commissioner for Operations and Administration, retired from the Department of Finance and Administration. Preston served as a valuable leader in a multitude of capacities, and the Department

OFFICE OF INCOME TAX ADMINISTRATION

“Nonresident Member Withholding Exemption Affidavit” (Form AR4PT). Ark. Code Ann. § 26-51-919(b)(1)(A)(i) requires a pass-through entity to withhold income tax at the rate of 7% on each nonresident member’s share of distributed Arkansas income. A pass-through entity is not required to withhold income tax for any nonresident member who submits Form AR4PT. This form allows a taxpayer to “opt out” of the withholding requirement on the condition that he will either be included as part of a composite return filed by the entity, or agree to file an Arkansas return and pay any tax due. This form is posted on DFA’s website:
www.arkansas/dfa.gov.

1099-G’s issued for McFadden. Tax preparers must obtain a copy of the notification letter their clients received from DFA in 2005 to see the breakdown of tax, interest, attorneys’ fees, and all the other component parts listed separately in order to calculate the taxable portion of the refund for federal purposes. State personnel cannot respond to questions related to the taxability of refunds for federal purposes.

Returns filed for 2005 by McFadden refund recipients are being reviewed by DFA personnel to ensure that cost recovery was not used if all cost of contributions were recovered pursuant to McFadden. This review also determines if interest paid pursuant to McFadden is not properly reported on the return. Most McFadden refund recipients recovered their cost by 2002.



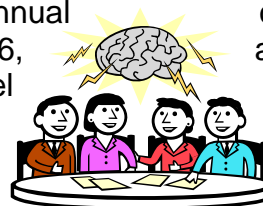
Arkansas individual income tax returns are due April 15, 2006; however, since the 15th is on a Saturday, the due date is automatically extended until Monday, April 17th.

Withholding on Pension Payments: Act 1309 of 2005 adopted IRC § 3405, with certain modifications, to require withholding from certain periodic and lump sum payments of deferred income. For state purposes, withholding from regular monthly annuity amounts is calculated using the withholding table for wages. You must allow for the \$6,000 employment-related exemption (if applicable) and any allowable cost of contribution recovery. Withholding on non-periodic payments will be at the rate of 3%. Withholding from rollover distributions will be at the rate of 5%.

Form AR4P, Employee’s Withholding Exemption Certificate for Pensions and Annuity Payments is on the DFA website on the Withholding Web page located at:
http://www.arkansas.gov/dfa/income_tax/tax_wh_forms.html.

To remit tax that was withheld from pension payments, register with the Withholding Tax Section, unless the business is already registered for payroll withholding, using the same FEIN. New taxpayers must file a monthly report, 941M, to remit the withholding. For any month there was no withholding, a zero coupon must be remitted. An annual reconciliation is due by the end of February.

Federation of Tax Administrator’s (FTA) conference. Arkansas will be hosting the FTA annual conference June 4-7, 2006, at the Peabody Hotel in Little Rock. This is a great meeting for sharing ideas and concepts in taxation. Please visit the website at:



<http://www.ark.org/fta2006/index.html>

OFFICE OF MOTOR VEHICLE ADMINISTRATION



New Standard Issue License Plate

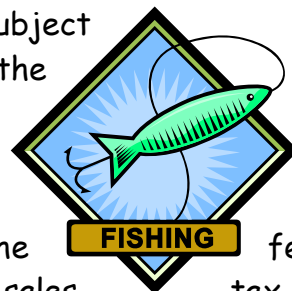
Arkansas State Revenue Offices began issuance of a new **standard** issue license plate March 10, 2006. The new design will be standard issue for passenger cars and pickups. New designs are necessary periodically to assist law enforcement in assuring that vehicles are properly registered. DFA's last general issue design was released in 1996.

The new design will be issued as inventories of the old design are depleted; however, if vehicle owners request a new design before the time for mandatory replacement of their plate, they may replace the old design at the standard replacement fee of \$1.25. The cycle for mandatory replacement of plates, is eight years, and the replacement fee is not charged with mandatory replacement.

In keeping with Arkansas as "The Natural State," the diamond centered in the plate reflects the diamond mine at the "Crater of Diamonds State Park" in Murfreesboro.

In addition to being attractive, the license plate has reflective properties which helps law enforcement and is one of the primary purposes of a license plate.

Sales Tax Tip: Professional fishing/hunting services. Fees for fishing/hunting, including private excursions, are not subject to sales tax. If the "package deal" includes tangible personal property—meals or supplies—the fees are subject to sales tax unless the tangible personal property items are listed separately on the invoice. If the fee includes lodging, it needs to be stated separately on the invoice also or the fee will be subject to sales and tourism taxes. See Ark. Code Ann. § 26-52-301 and GR-53.



OFFICE OF FIELD AUDIT ADMINISTRATION



Address as of April 3rd
Northwest Audit District
1501 SE Walton Blvd., Ste. 213
Bentonville, AR 72712-3746
Phone: 479-271-8108
Fax: 479-271-9320

Caution to all ATV Buyers! Field Audit investigators continue to review claims of farm exemptions on the purchase of All Terrain Vehicle (ATV's) and farm equipment. Assessments are being made when a farm exemption is claimed improperly. To date, 4,625 assessments have been made resulting in \$3,138,128.00 being assessed. A Taxpayer is required to pay sales tax on an ATV unless he has a valid claim to use the farm exemption.

New Rules

Rule 2006-2: Income Tax Exemption Increase for Armed Services Members

This Rule was filed as an emergency rule and also as a permanent rule on February 27, 2006. For purposes of Act 2187 of 2005 and beginning January 1, 2005, the income tax exemption for the service pay and allowances of enlisted personnel increased from \$6,000 to \$9,000. The income tax exemption for the service pay and allowances of officers did not increase and remains set at \$6,000. The Rule provides that a taxpayer who receives both enlisted pay and officer's pay in the same year should prorate each exemption by the number of days the taxpayer received each type of pay divided by the total days of the year the taxpayer received military pay. A public hearing was held on March 14, 2006. The Legislative Council will review this Rule on April 12, 2006.



Rule 2006-4: Sales of Heavy Equipment

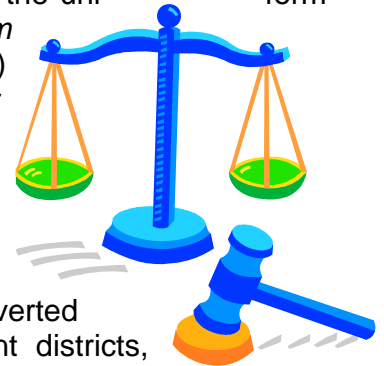
This Rule was also filed as an emergency rule and also as a permanent rule on February 27, 2006. Act 1693 of 2005, which went into effect July 1, 2005, requires heavy equipment dealers to place decals on heavy equipment at the time of sale. Rule 2005-4 defined "heavy equipment" to include "wheel tractors" but did not include "wheel tractors less than 20HP," and this resulted in confusion for farm implement dealers with regards to whether the decals were required for farm tractors. Rule 2006-4 clarifies that farm tractors and small tractors used for



gardening, mowing, etc., are not "heavy equipment" for purposes of Act 1693 and no decals are required. A public hearing was held on March 14, 2006. The Legislative Council will review this Rule on April 12, 2006.

Office of Revenue Legal Counsel

On February 24, 2006, the Washington County Circuit Court issued a decision in *City of Fayetteville v. Washington County, Arkansas, et al.* Docket No. CV 2005-559-2. The Department of Finance and Administration was a named defendant in the lawsuit. The City of Fayetteville sought a declaratory judgment that a portion of the uniform rate of *ad valorem* property tax (25 mills) reserved under Amendment 74 to the Arkansas Constitution for the maintenance and operation of schools in the state could be diverted to fund redevelopment districts, commonly known as TIF (Tax Incremental Financing) districts. Redevelopment districts were authorized by Amendment 78 to the Arkansas Constitution.



The court held that the 25 mills dedicated to the schools by Amendment 74 may not be diverted for use by the redevelopment district. This ruling is based upon the law in effect on the effective date of the ordinances and the certification of the *ad valorem* rate affecting the project at issue in this lawsuit. The parties have until March 26, 2006 to appeal the case. The City of Fayetteville responded to the press that it intends to appeal the decision.

Calendar of Due Dates

04/14/06—Employee monthly W/H tax, for prior month (EFT filers only); 1st /Qtr. Estimated income tax (based on calendar year filer) (EFT filers only)

04/17/06—Employee monthly W/H tax, for prior month; AR income tax returns (partnership, LLC, individual) (Based on calendar year filers; return due date 3.5 months after end of tax year); 1st Qtr. Estimated income tax (based on calendar year filer); Miscellaneous tax (except Severance taxes)

04/20/06—Sales & Use Tax

04/25/06—Motor fuel tax (except IFTA); Severance tax;

05/01/06—Employee monthly W/H tax, for prior month (EFT filers only)

05/12/06—Employee monthly W/H tax, for prior month; Miscellaneous tax (except Severance taxes)

05/15/06—Employee monthly withholding tax, for prior month; Miscellaneous tax (except Severance taxes);

05/22/06—Sales & Use Tax

05/26/06—Motor fuel tax (except IFTA); Severance tax;

06/01/06—Franchise tax

06/14/06 Employee monthly W/H tax, for prior month (EFT filers only); 2nd Qtr. Estimated income tax (based on calendar year filer) (EFT filers only)

06/15/06—Employee monthly W/H tax, for prior month; 2nd Qtr. Estimated income tax (based on calendar year filer); Miscellaneous tax (except Severance taxes)

06/20/06—Sales & Use Tax

06/26/06—Motor fuel tax (except IFTA); Severance tax

07/14/06—Employee monthly W/H tax, for prior month (EFT filers only);

07/17/06—Employee monthly W/H tax, for prior month; Miscellaneous tax (except Severance taxes)

07/20/06—Sales & Use Tax

07/25/06—Motor fuel tax (except IFTA); Severance tax;

07/31/06—IFTA

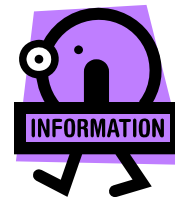
CHANGES IN SALES & USE TAX

Please Call (501) 682-7104 For Periodic Updates

Regarding Local Sales and Use Taxes

http://www.arkansas.gov/dfa/excise_tax_v2/st_index.html

Name	Code	Effective Date	%	Recent Action
Dermott	0903	04/01/06	3.00	Increased
Gillett	0104	04/01/06	2.00	Increased



Internet Information

Business and Personal Tax Page

http://www.arkansas.gov/dfa/dfa_taxes.html

Telephone Information

Corporate Income Tax	(501) 682-4775
Taxpayer Assistance for Individual Income Tax	(501) 682-1100 1-800-882-9275
Automated Refund Inquiry & Tele-tax Information	(501) 682-0200 1-800-438-1992
Sales and Use Tax	501-682-1895
Taxpayer Assistance Office	501-682-7751

The **Arkansas State Revenue Tax Quarterly** is a publication of the Taxpayer Assistance Office. The newsletter is produced and distributed electronically to tax professionals, businesses, and organizations operating in Arkansas. To be added or deleted from the e-mail list, contact Jan Moore, phone (501) 682-7751, write to Taxpayer Assistance Office, Ledbetter Building, Room 2460, 1800 W. Seventh, P. O. Box 1272, Little Rock, Arkansas 72203-1272, or send an e-mail to jan.moore@rev.state.ar.us.